


THE ROLE OF LABOR UNIONS IN DETERMINING MINIMUM WAGE IN INDONESIA

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ARTICLE INFO	ABSTRACT
<p>Article history:</p> <p>Received 21 April 2023</p> <p>Accepted 18 July 2023</p>	<p>Purpose: This research aims to analyze the importance of labor unions in decent living standards to improve labor welfare to increase labor’s minimum wage and respond to the implementation of Government Regulation No. 78 of 2015 about wages.</p>
<p>Keywords:</p> <p>Labor Union; Minimum Wage; Regulation.</p> 	<p>Theoretical framework: The labor union is the labor representative that has an essential role in determining minimum wage in the regency because the labor union is a member of the Wage Council. Implementing Government Regulation No. 78 of 2015 concerning wages leads to wage disparities, especially in East Java province. The determination of minimum wage has become a crucial and complex problem as it involves the interests of labor, companies, and government. Every of the wage disparities increases that influenced labor conditions became less conducive, and companies relocated their businesses. Labor unions’ important role is to fight to improve labor’s welfare.</p> <p>Design/Methodology/Approach: This research used a qualitative approach. The research location is in East Java, with informants who are labor union in East Java, East Java Indonesian Business Association, East Java Province Wage Council, East Java Labor and Transmigration Office, and Regency Labor Office. The data was collected through interviews.</p> <p>Findings: This research’s results find that Labor Union’s important role influenced wage discretion implemented by the East Java governor, and Labor Union’s important role successfully decreased wage disparity.</p> <p>Research, Practical & Social implications: This research is still limited to important role of Labor Union in minimum wages. Future research can examine other roles of Labor Union in helping improve workers' welfare, for example contributing to improving labor regulations.</p> <p>Originality/Value: The study explore important role of labor union from various points of view, namely from East Java Indonesian Business Association, East Java Province Wage Council, East Java Labor and Transmigration Office, and Regency Labor Office.</p> <p>Doi: https://doi.org/10.26668/businessreview/2023.v8i7.2625</p>

O PAPEL DOS SINDICATOS NA DETERMINAÇÃO DO SALÁRIO MÍNIMO NA INDONÉSIA

RESUMO

Objetivo: Esta pesquisa visa analisar a importância dos sindicatos em padrões de vida decentes para melhorar o bem-estar do trabalho a fim de aumentar o salário mínimo do trabalho e responder à implementação do Regulamento do Governo n.º 78 de 2015 sobre salários.

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Quadro teórico: O sindicato é o representante do trabalho que tem um papel essencial na determinação do salário mínimo na regência, porque o sindicato é um membro do Conselho Salarial. A aplicação do Regulamento do Governo n.º 78 de 2015 relativo aos salários conduz a disparidades salariais, especialmente na província de Java Oriental. A determinação do salário mínimo tornou-se um problema crucial e complexo, uma vez que envolve os interesses do trabalho, das empresas e do governo. Cada um dos aumentos das disparidades salariais que influenciaram as condições de trabalho tornou-se menos propício, e as empresas deslocaram os seus negócios. O importante papel dos sindicatos é lutar para melhorar o bem-estar dos trabalhadores.

Design/Methodologia/Abordagem: Esta pesquisa utilizou uma abordagem qualitativa. O local de pesquisa é em Java Oriental, com informantes que são sindicalistas em Java Oriental, Associação Empresarial Indonésia de Java Oriental, Conselho Salarial da Província de Java Oriental, Escritório de Trabalho e Transmigração de Java Oriental, e Escritório de Trabalho da Regência. Os dados foram coletados por meio de entrevistas.

Descobertas: Os resultados desta pesquisa constatarem que o importante papel do Sindicato dos Trabalhadores influenciou a discricção salarial implementada pelo governador de Java Oriental, e o importante papel do Sindicato dos Trabalhadores diminuiu com sucesso a disparidade salarial.

Investigação, implicações práticas e sociais: Esta investigação está ainda limitada ao importante papel do Sindicato do Trabalho nos salários mínimos. A investigação futura pode examinar outros papéis do Sindicato do Trabalho na ajuda à melhoria do bem-estar dos trabalhadores, por exemplo, contribuindo para melhorar a regulamentação laboral.

Originalidade/Valor: O estudo explora o papel importante do sindicato de trabalhadores de vários pontos de vista, nomeadamente da East Java Indonesian Business Association, East Java Province Wage Council, East Java Labor and Transmigration Office e Regency Labor Office.

Palavras-chave: Sindicato dos Trabalhadores, Salário Mínimo, Regulamento.

EL PAPEL DE LOS SINDICATOS EN LA DETERMINACIÓN DEL SALARIO MÍNIMO EN INDONESIA

RESUMEN

Objetivo: Esta investigación tiene como objetivo analizar la importancia de los sindicatos en el nivel de vida decente para mejorar el bienestar laboral, aumentar el salario mínimo laboral y responder a la implementación del Reglamento Gubernamental N° 78 de 2015 sobre salarios.

Marco teórico: El sindicato es el representante laboral que desempeña un papel esencial en la determinación del salario mínimo en la regencia, ya que el sindicato es miembro del Consejo de Salarios. La aplicación del Reglamento gubernamental n.º 78 de 2015 sobre los salarios conduce a disparidades salariales, especialmente en la provincia de Java Oriental. La determinación del salario mínimo se ha convertido en un problema crucial y complejo, ya que involucra los intereses de los trabajadores, las empresas y el gobierno. Cada uno de los aumentos de las disparidades salariales que influyeron en las condiciones laborales se volvió menos propicio, y las empresas reubicaron sus negocios. El importante papel de los sindicatos es luchar para mejorar el bienestar de los trabajadores.

Diseño/Methodología/Enfoque: Esta investigación utilizó un enfoque cualitativo. La ubicación de la investigación es en Java Oriental, con informantes que son sindicato en Java Oriental, la Asociación de Negocios de Indonesia de Java Oriental, el Consejo Salarial de la Provincia de Java Oriental, la Oficina de Trabajo y Transmigración de Java Oriental, y la Oficina de Trabajo de Regencia. Los datos fueron recolectados a través de entrevistas.

Resultados: Los resultados de esta investigación muestran que el importante papel de la Unión Laboral influyó en la discrecionalidad salarial implementada por el gobernador de Java Oriental, y el importante papel de la Unión Laboral redujo con éxito la disparidad salarial.

Investigación, implicaciones prácticas y sociales: Esta investigación todavía se limita a un papel importante de la Unión Laboral en los salarios mínimos. En futuras investigaciones se pueden examinar otras funciones de los sindicatos para ayudar a mejorar el bienestar de los trabajadores, por ejemplo contribuyendo a mejorar la reglamentación laboral.

Originalidad/Valor: El estudio explora el papel importante de la unión laboral desde Varios puntos de vista, a saber, de la Asociación Empresarial Indonesia de Java Oriental, el Consejo Salarial de la Provincia de Java Oriental, la Oficina de Trabajo y Transmigración de Java Oriental y la Oficina de Trabajo de Regencia.

Palabras clave: Sindicato de Trabajadores, Salario Mínimo, Regulación.

INTRODUCTION

Labor union existence is essential as a vessel of inspiration and protection for all laborers to increase their capacity and bargaining power with related parties. According to Article 4 of Act no. 21 of 2000, the purpose of a labor union is to fight for labor's interests and welfare, including their family. The right to freedom of association as regulated in results of International Labor Organization Convention No. 87 of 1956 concerning freedom of association and protection of the right to organize, then ratified by the Indonesian government with Presidential Decree No.83 of 1998, followed up with Labor Minister Regulation No.5 of 1998 about labor union registration 2000, Indonesian government acknowledges the existence of labor union with all rights and obligations through Law No.21 of 2000 concerning labor union (Simanjuntak, 2002). One of the functions of the labor union is to protect and improve labor's welfare by fighting for an increase in labor wages to meet decent living standards (Mukherjee & Wang, 2013; Streeck, 2015). Wages is a form of compensation that can increase employee job satisfaction (Nugroho & Bandono, 2023). High wages will increase employee performance and prosperity. Besides wages, employees will be highly motivated to innovate if they get high remuneration and rewards .

The wage system in Indonesia is regulated in a minimum wage system. The minimum wage is a government policy as a safety net for labor to receive decent wages and prevent poverty among laborers. Indonesian Government Regulation No.78 of 2015 raises interest conflict between labor and companies. The content of this regulation is in parallel with Law No.13 of 2003 concerning employment and Labor Minister Regulation No.15 of 2018 about minimum wage.

Constitution of the Republic of Indonesia Article No. 27 of 1945, paragraph 2 states, "Every citizen has the right to work and decent living for humanity." The interpretation of this sentence is labor has the right to work and receive a minimum wage that meets decent living standards and becomes the government's liability to protect the labor to receive a decent minimum wage (Kevin E.Cahill, 2017; Lazear & L., 2007; Trant & Christy, 2008).

The minimum wage is one of the national problems that received the government's attention. The minimum wage problem is always a trending topic among labor unions annually. Indonesia Government Regulation No.78 of 2015 caused a significant disparity in wages. This condition leads to labor dissatisfaction because laborers felt that the social justice principle is not fulfilled in Government Regulation 78 of 2015. Article 88 Law No.13 of 2003 and Article 3 Government Regulation No.78 of 2015 stated that wage policy created by the government is

directed to achieve wage that meets the decent living standards for labor or employee. The government's policy is often ambivalent with labor interests and companies.

The minimum wage policy regulated in Government Regulation No.78 of 2015 caused wage disparity problems, impartiality to labor's interests, rejection from labor unions and demand revision Government Regulation No.78 of 2015. Hence, the vital advocacy role of labor unions is needed to fight for a higher minimum wage and as a vessel for labor to express their aspirations and demands to companies and the government. This research aims to analyze the important advocacy role of labor unions in determining minimum wage in Indonesia.

LITERATURE REVIEW

The Policy of Wages

The wage policy in Indonesia parallels the policy implemented by Clinton in the United States in 1998. Increasing the minimum wage will improve the living standards of 12,000,000 hard workers in the United States. The minimum wage policy in the United States supported a rise in the minimum wage so that full-time workers would not live in poverty (Sabia, 2008).

For example, many developed countries have implemented minimum wage: the United States, Canada, Australia, Japan, South Korea, France, New Zealand, Belgium, England, Spain, Malaysia, etc. In Malaysia, the minimum wage policy is called "Minimum wage order 2012", the minimum wage for employees in West Malaysia is RM 900, and in East Malaysia, it is 800. In East Malaysia, it excludes the probation period. During the probation period, companies may give lower wages, and the minimum is 70% of the minimum wage (Order, 2012).

In Europe, the economic policy concerning flexible wages is an incorrect way to prevent economic imbalance. Wage increment is in parallel with the increase in productivity and inflation rate. In 1930, Keynes opined that wage flexibility is will not be sufficient to lead to full wages and may lead to economic instability. A fair wage must consider productivity added to the inflation rate. Based on the labor's productivity, the wage is awarded according to their performance (J.Sauer, Rodgers, & Becker, 2018; Stockhammer & Onaran, 2012). American Federation of Labor (AFL) negotiation, mediation, and arbitration strategies substantially influence rejecting female workers' discrimination, skilled workers, and non-skilled workers. Affiliation of AFL and the Congress of Industrial Organizations (CIO), the labor union managed to get support from the supreme court that a demonstration to boycott customers from purchasing products from secondary retail companies is deemed legal. AFL managed to raise allowances received by labor union members that include health benefits, pension fund, work

disability, leaves, and so on. The leaders of AFL-CIO supported the Civil Rights Law of 1964, prohibiting discrimination based on race, skin tone, religion, sex or nationality. Labor disputes can be settled through arbitration at the level of bipartite or tripartite. AFL strives to resolve disputes at the bipartite level. However, if both parties are unable to reach an agreement, it will be paid at the tripartite level involving a neutral party (Craver, 2011)

In England, the victim of forced labor are minors and migrant workers. Then labor unions played an essential role in coordinating, and reaching the informal sector, utilizing positions that benefit them as social actors that influenced government and companies also connecting with the international civil citizen. The labor union movement emerged, forcing England parliament to nullify the transatlantic slave trade. Since the beginning, the labor union has become the vanguard against all kinds of work exploitation and discrimination. (Geneva, 2008; I.C.T.U.R., 2008)

In Indonesia, labor unions are more oriented to employment programs such as increasing the regency/city level minimum wage and industrial dispute resolution. Labor unions give pressure through people power able to influence the government in employment-related decision-making, especially in the minimum wage. Government Regulation No.78 of 2015 about wages implemented since 2015 created wage disparity, especially in East Java. Because it only considers the previous year's minimum wage added to the current year's inflation rate and national economic growth.

Wage disparity aroused strong reactions from labor unions, labor jealousy, and labor preference to work at companies with higher minimum wage standards, resulting in companies with lower minimum wage standards facing difficulty recruiting productive employees. It happened in regions across Indonesia, especially in East Java, for example the minimum wage in the Gresik regency is much higher than that in the Lamongan regency despite the location are next to each other. This condition pushed labor unions to put a brave demonstration rejecting the implementation of Government Regulation No. 78 of 2015 concerning wages, as it benefits companies more and limits labor's fight to improve labor and their family's welfare. On the contrary, companies are agitated. An increase of the minimum wage is not easy. Moreover, with unstable economic conditions, and monetary crises, companies are further pressured by increased production and distribution costs. A higher minimum wage set by the government means higher production costs and forces companies to be more efficient in all aspects, especially labor costs. In the past three years, companies relocated their business to locations with lower minimum wage event resorted to termination, resulting in fewer work opportunities

and an increased unemployment rate.. (Falk, Fehr, & Zehnder, 2006; Kaufman, 2016; Newmark & Washer, 2007; Whaples, 2006).

Minimum Wages

Minimum wage discretion is the governor's policy to reduce wage disparity, becoming a significant burden to incredibly labor-intensive companies. This employment condition makes Indonesia less conducive, and investors moved their investments to other countries. Indonesian business association pleaded minimum wage payment delay, sued the East Java governor in administrative court, and relocated their businesses to increase business competitiveness. Along with the higher minimum wage, companies improve efficiency by reducing the number of labor, resulted in lower demand for work at the national level and less skilled labor prefers to be paid below the minimum wage (Vu & Nguyen, 2019).

According to Devanto Pratomo, a significant minimum wage increase will decrease labor demands. The unemployed prefer to work below minimum wage to meet the living needs of the laborers and their families (Pratomo, 2011).. Researcher Kostas Karamanis studied the relationship between minimum wage and the unemployment rate in the labor market in Greek between 2000-2017. There is a causative relationship between the minimum wage and unemployment rates. Countries with lower minimum wage will have high unemployment rates.

On the contrary, countries with increased minimum wage will have lower unemployment rate. The high unemployment rate is in parallel with the high crime rate. Change in minimum wage can influence crime. Lower minimum wage will result in high crime rate. Empirical evidence shows the increase in minimum wage significantly influenced less skilled workers to avoid crime. Crime is a social phenomenon that substantially affects national stability (Detotto, 2016; Hansen & Machin, 2003; Karamanis & Beneki, 2018) Different story happened in the United States in 2015. An increase in minimum wage brought labor out of poverty and lessened the government's burden in social programs. Increasing the minimum wage in the United States improved labor's purchasing power and decelerated the inflation rate (Economist, 2013).

DATA AND METHODOLOGY

This research used descriptive qualitative (A.Maxwell, 2004; William, 2000). The research location is in East Java, with informants are labor union in East Java, East Java Indonesian Business Association, East Java Province Wage Council, East Java Labor and

Transmigration Office, and Regency Labor Office. The data was collected through interviews and triangulation (Simanjuntak, 2002) to achieve valid data. Secondary data are obtained from Central Bureau of Statistics, Labor Laws, publications from reputable international journals, and website (Sturges & Hanrahan, 2004). Interviews are conducted to obtain extensive information on the influence of labor union advocacy in determining regency/city minimum wage. Triangulation is undertaken to validate interview results if there are unclear interview results from the research subject and to ensure appropriate answers. We will choose data analysis technique of descriptive qualitative, from interviews with all research subjects, specific themes related to the advocacy role of labor union in determining the minimum wage. Then, each of the themes will be evaluated and analyzed using descriptive qualitative supported with the theories and previous research and examined empirically and juridically to support the originality of this research.

RESULTS AND DISCUSSION

Important Role of Labor Union in Decent Living Standards Survey to Increase the Minimum Wage

Wage is a labor's fundamental rights that must be received by labor to meet their needs, including his/her family's needs. This statement is affirmed in Article 88 Law No.13 of 2003. NY, the Head of Regional Representative Council of East Java National Labor Union stated the following:

“Every labor has the right to receive income to meet decent living standards for humanity. To achieve income that can fulfill the decent living standards, as stated in the article 88 Law 13 of 2003 paragraph (1), government establish wage policy to protect labor. Regency/city minimum wage is a safety net for labor.”

Based on the Law No.13 of 2003 above, it can be concluded that wage is a labor's normative right protected by the government as a safety net to ensure fair, decent living standards is fulfilled. Stipulated minimum wage based on Article 89 Law No.13 of 2003 paragraph (3), stated the following:

“The governor appoints (3) Minimum wage as defined in paragraph (1) in consideration of a recommendation from Province Wage Council and or Regent/Mayor”.

According to Presidential Decree No.17 of 2004 concerning Wage Council, authority is given to National Wage Council to recommend the new amount and value decent living

standards and to take comparison data (excluding Central Bureau of Statistics) or to conduct field survey to ensure a complete and more comprehensive study results. The head of Management Unit of PT Gajah Jaya Indonesian Metal Labor Union stated the following:

“Wage council surveyed decent living standards along with labor union and Indonesian Business Association in paragraph (2) the Minister of Labor and Transmigration Regulation No.13 of 2012 concerning components and implementation of decent living standards stages, there are 60 components for single labor.”

During decent living standards survey stage, the labor union’s important advocacy role significantly influences the accuracy of the amount needed to get a decent living standards. Labor union’s important role in the decent living standards survey is to survey the price of basic needs in the selected markets, it is necessary to monitor the market survey process to obtain the price for the basic needs required by labor to ensure regency/city minimum wage recommendation meets decent living standards. Basuki Gede Prabowo, the Head of East Java Indonesian Labor Union of National Banks Federation, stated the following:

“Important role of labor union in decent living standards survey through the following activities: organize survey team from Wage Council, labor union, company organization, government, college, specialist and Central Bureau of Statistics. Survey’s conduct: questionnaire, place, time, respondents, survey price method, price parameters, quality check, data analysis to determine decent living standards and report the decent living standards to the National Wage Council”.

The wage Council will recommend a proposed budget for decent living standards survey to the Regent to determine the regent minimum wage proposal to the governor. Head of Management Unit of Various Industries Labor Union of Indonesian Metal Labor Union PT. Diraja Surya Pasuruan stated the following:

“Labor unions and all labor are strongly pressuring improvement of labor’s welfare and wage by consistently doing a demonstration on every Mayday, as the results, Minister of Labor and Transmigration revised the components of decent living standards from 45 components to 60 components through Minister of Labor and Transmigration Regulation No.13 of 2012. The change in components pushed regency minimum wage in 2013 as set by governor to significantly increase around 18.9% in average in most provinces, which is the highest increase noted in minimum wage. Therefore, labor unions keep advocates to fight for minimum wage increase annually to meet decent living standards.”.

This is in line with labor union’s role stated in Law No.21 of 2000 concerning employment in Article 4 paragraph 1, as follows:

“labor union, federation and confederation of labor union aim to provide protection, defend the rights and interests, and improve decent welfare for labor and their family”
(*Himpunan Undang-Undang Tenaga Kerja.*, 2005a)

In Article 4 Law No.21 of 2000, the function of labor union is clearly defined as a labor union organization that fights labor's rights and interests to improve the welfare of the laborers and their family. Companies must not reject the establishment of labor union in the company's environment because labor union is a labor organization that follows article 6 stated the following:

“Every labor has the right to establish and become a member of a labor union federation”. (*Himpunan Undang-Undang Tenaga Kerja.*, 2005b)

The presence of labor union can be a good mediator and facilitator to achieve both labor's and companies' interests in the form of advocacy. Therefore, the function and role of labor union is required to solve polemic concerning decent living standards that become a consideration to determine regency/city minimum wage. With the labor union's advocacy, it is expected to develop a harmonic, dynamic, and fair relationship.

The Important Role of Labor Unions in Responding to Government Regulation No.78 of 2015

Government Regulation No.8 of 1981 has historically governed the minimum wage. The minimum wage was set regionally, regional, and sub-sectorally at that time. The minimum wage included principal wage and allowance. Based on Article 1 the Minister of Labor Regulation No. Per-01/Men/1999 paragraph 1 concerning minimum wage, the minimum wage is the lowest monthly wage consisting of principle wage, including fixed allowance. Minister of Labor and Transmigration Decree No. Kep-226/Men/2000 stated the scope of regions that implemented minimum wage included: a) Provincial minimum wage applied in all regencies and cities within one province region. b) Regency minimum wage applied in one regency/city. To increase labor work productivity and welfare, government issued Minister of Labor and Transmigration Regulation Np.7 of 2013 Article 1 point 1 stated that minimum wage is the lowest monthly wage consisted of of principle wage, including fixed allowances set by governor as safety net. Article 1 point 2 stated that provincial minimum wage was applied to all regencies and cities in one province. Article 1 point 3 said that regency/city minimum wage was applied to the regency/city. Through annual minimum wage policy that increases yearly, labor productivity in Indonesia will improve. However, after Government Regulation No.78 of

2015 is effective, Wage Council was no longer functioning as it is supposed to be, although Law No.13 of 2013 clearly give rooms for Wage Council to give recommendation and consideration for Regent/Mayor in proposing increase of regent minimum wage, based on the market survey results and inflation rate. M.S, Head of the Management Unit of Indonesian Metal Labor Union PT. Indonesia Smelting Teknologi Pasuruan stated the following:

“Labor union opined that Government Regulation No.78 of 2015 did not reflect the real situation. The calculation of minimum wage using macro assumption is deemed to harm labor as the government used an inflation rate added with economic growth resulting in very low increase in regency/city minimum wage, which the maximum is only 10% and can be less. Based on the data from Bank Indonesia on average inflation rate is 3.5% annually with average economic growth 5% annually. Labor union opined that Government Regulation No.78 of 2015 contradicts Employment Law Article 89 paragraph (2) that minimum wage aims to achieve decent living standards, then decent living standards survey will be more accurate to determine labor’s minimum wage increment rather than calculating inflation rate”.

NY supports M.S opinion through his statement as follows:

“Labor union opined that Government Regulation No.78 of 2015 seemed centralized and did not reflect the real condition. Therefore, labor union advocacy fights to revise Government Regulation No.78 of 2015 to give the regional government authority to calculate the wage as they have a deeper knowledge of the real situation or at least the inflation rate is adjusted to the corresponding region’s inflation rate.”.

Therefore, labor union responded to Government Regulation No.78 of 2015 by conducting demonstrations and various resistances. Then, NY stated the following:

“Labor union filed a lawsuit in form of material testing on Article 44 Government Regulation No.78 of 2015 as follows: material testing against some articles in Government Regulation No.78 of 2015 about wage, to be tested against Law No.13 of 2003, Law No,21 of 2000, Law No.23 of 2014 and Law No. 12 of 2011. The applicants are as follows: Indonesian Labor Union National Confederation Executive Council, Central Management Council of Indonesian Labor Union, Indonesian Confederation Labor Union, Central Management Council of Various Industries Labor Union Federation, Central Management Council of General Sector Labor Union Federation, Central Management Council of Indonesian Metal Labor Union Federation, Central Management Council of Chemical, Energy, Mining, Oil and General Labor Union Federation, Central Management Council of Indonesian Cement Industry Labor Union Federation, Central Management Council of Pharmaceutical and Healthcare Reformation Labor Union Federation, Central Management Council of Indonesian Tourism Reformation Labor Union Federation, Central Management Council of Indonesian Labor Union Association, Central Management Council of National Labor Union, Central Management Council of Rumah Rakyat Indonesia. The material testing resulted is the supreme court issued a decision that put the applicants at a disadvantage, thus the advocacy

through legal stopped as stated in the Supreme Court Verdict No. 34 P/HUM/2017 concerning material testing Government Regulation.”.

Supreme court verdict did not dampened labor union’s fighting spirit, on the contrary it made their fighting spirit stronger. On May Day 2019, Indonesian Labor Union put a demonstration in front of Governor’s office specially East Java Labor Union conduct a massive demonstration in front of the Governor’s office. YW, Head of Management Unit of Cigarettes, Tobacco, Food and Beverages Indonesian Labor Union stated that Massive demonstration in front of East Java Governor aims to reject Governor Regulation No.78 of 2015 by proposing 12 demands to East Java Governor and Governor agreed to 9 out of 12 demands which are as follows: 1) Governor will make a recommendation to central government (President and House of Representatives of Republic of Indonesia) to do the following: a) to amend the Government Regulation No.78 of 2015 concerning wage, b) to revoke Ministry of Health Regulation No. 51 of 2018 about costs and costs difference; 2) Governor will make an appeal to Indonesian Supreme Court to do the following: re-evaluation to Supreme Court Circular Letter No.3 of 2015 and 2018 concerning civil room legal calculation, special civil case letter F about wage, the processing up to 12 months; 3) to recommend to Indonesian Minister of Employmen to amend Minister of Employment and Transmigration Regulation No.12 of 2013 concerning decent living standards components for guidelines in determining regency/city minimum wage for year 2020; 4) Governor to consider collecting recommendation from regency/city in determining sectoral minimum wage and to make circular letter addressed to all regencies and cities in East Java to recommend sectoral minimum wage for year 2020; 5) To circulate warning letter to companies that did not include their labors into Social and Health Insurance program (BJPS ketenagakerjaan dan BPJS kesehatan) as directed by governor; 6) To make circular letter concerning temporary work contracts and unskilled foreign labor and requires foreign labor to be able to speak Bahasa Indonesia; 7) To immediately organize a hospitals monitoring organization involving community; 8) To ensure more effective role of labor inspector employees; 9) To make regulation concerning implementation of severance payment guarantee with approval from Regional Council Representatives (DPRD) and permission from Domestic Minister taking into consideration recommendation from Corruption Eradication Commission in parallel with Laws.

Government Regulation No.78 of 2015 concerning wages as guidelines for the government to set regency/city minimum wage. With the calculation formula for the minimum wage is as follows:

Minimum Wage (MW)_n = MW_t + [MW_t x (inflation rates + %ΔGross Domestic Product)].

In 2018, East Java minimum wage set based on Government Regulation No.78 of 2015 showed greater wage disparity between Ring 1 regions (Surabaya City, Sidoarjo Regency, Gresik Regency, Pasuruan Regency, Mojokerto Regency) with 37 cities and regencies outside Ring 1 could be seen in the below table:

Table 1. Minimum Wage Increase in East Java Regencies and Cities in 2017-2018

No.	Cities/Regencies	Minimum wage 2017	Minimum wage 2018	Difference
1.	Surabaya	Rp. 3.296.212.50	Rp. 3.583.312.61	Rp. 287.100
2.	Gresik	Rp. 3.293.506.25	Rp. 3.580.370.64	Rp. 286.864
3.	Sidoarjo	Rp. 3.290.800.00	Rp. 3.577.428.68	Rp. 286.628
4.	Pasuruan	Rp. 3.288.093.75	Rp. 3.574.486.72	Rp. 286.392
5.	Mojokerto	Rp. 3.279.975.00	Rp. 3.565.660.82	Rp. 285.685
6.	Malang	Rp. 3.268.510.00	Rp. 2.574.807.22	Rp. 693.702
7.	Malang	Rp. 2.272.167.50	Rp. 2.470.073.29	Rp. 197.905
8.	Batu	Rp. 2.193.145.00	Rp. 2.384.167.93	Rp. 191.022
9.	Jombang	Rp. 2.082.730.00	Rp. 2.264.135.78	Rp. 181.405
10.	Tuban	Rp. 1.901.950.50	Rp. 2.067.612.56	Rp. 165.662
11.	Pasuruan	Rp. 1.901.950.50	Rp. 2.067.612.56	Rp. 165.662
12.	Probolinggo	Rp. 1.879.220.00	Rp. 2.042.900.06	Rp. 163.680
13.	Jember	Rp. 1.763.392.50	Rp. 1.916.983.99	Rp. 153.591
14.	Mojokerto	Rp. 1.735.247.50	Rp. 1.886.387.56	Rp. 151.140
15.	Probolinggo	Rp. 1.735.247.50	Rp. 1.886.387.56	Rp. 151.140
16.	Banyuwangi	Rp. 1.730.917.50	Rp. 1.881.680.41	Rp. 150.762
17.	Lamongan	Rp. 1.702.772.50	Rp. 1.851.083.98	Rp. 148.311
18.	Kediri	Rp. 1.617.255.00	Rp. 1.758.117.91	Rp. 140.862
19.	Bojonegoro	Rp. 1.582.615.00	Rp. 1.720.460.77	Rp. 137.845
20.	Kediri	Rp. 1.576.120.00	Rp. 1.713.400.05	Rp. 137.280
21.	Lumajang	Rp. 1.555.552.50	Rp. 1.691.041.12	Rp. 135.488
22.	Tulungagung	Rp. 1.537.150.00	Rp. 1.671.035.77	Rp. 133.885
23.	Bondowoso	Rp. 1.533.902.50	Rp. 1.667.505.41	Rp. 133.603
24.	Bangkalan	Rp. 1.530.655.00	Rp. 1.663.975.05	Rp. 133.320
25.	Nganjuk	Rp. 1.527.407.50	Rp. 1.660.444.69	Rp. 133.037
26.	Blitar	Rp. 1.520.912.50	Rp. 1.653.383.98	Rp. 132.471
27.	Sumenep	Rp. 1.513.335.00	Rp. 1.645.146.48	Rp. 131.811
28.	Madiun	Rp. 1.509.005.00	Rp. 1.640.439.34	Rp. 131.434
29.	Blitar	Rp. 1.509.005.00	Rp. 1.640.439.34	Rp. 131.434
30.	Sampang	Rp. 1.501.427.50	Rp. 1.632.201.84	Rp. 130.774
31.	Situbondo	Rp. 1.487.355.00	Rp. 1.616.903.62	Rp. 129.548
32.	Pamekasan	Rp. 1.461.375.00	Rp. 1.588.660.76	Rp. 127.285
33.	Madiun	Rp. 1.450.550.00	Rp. 1.576.892.91	Rp. 126.342
34.	Ngawi	Rp. 1.444.055.00	Rp. 1.569.832.19	Rp. 125.777
35.	Ponorogo	Rp. 1.388.847.50	Rp. 1.509.816.12	Rp. 120.969
36.	Pacitan	Rp. 1.388.847.50	Rp. 1.509.816.12	Rp. 120.969
37.	Trenggalek	Rp. 1.388.847.50	Rp. 1.509.816.12	Rp. 120.969
38.	Magetan	Rp. 1.388.847.50	Rp. 1.509.816.12	Rp. 120.969

Source: Processed primary data obtained from East Java Employment and Transmigration Agency

Table 1 shows that the wage disparity from 2017 and 2018 is greater between nearby regions even in the same region such as Pasuruan City and Regency; thus national labor union and other unions demand smaller wage disparity in determining regency/city minimum wage for 2019.

The importance of the labor union's advocacy role in May Day 2019 demonstration successfully make East Java Governor agreed to put a recommendation to government to amend Government Regulation No.78 of 2015, especially concerning minimum wage to consider decent living standards survey results, therefore wage council may function to conduct decent living standards survey.

HE, Head of East Java Employment and Transmigration Agency stated that extraordinary pressure from labor union by conducting massive demonstration of Indonesian labor union especially East Java leads to East Java governor decided to do wage discretion in several regions in East Java in 2019 with consideration to fulfill social justice function and East Java citizen welfare and to reduce wage disparity in several regions by implemented equal wage to several regencies and cities in East Java. Wage discretion is a decision or action taken by the governor to solve a concrete wage problem faced by government.

MS, Head of East Java Indonesian Business Association stated that East Java governor's wage discretion contradicts with Government Regulation No.78 of 2015, Domestic Minister made a letter to East Java to cancel East Java Governor Decree No. No.188/665/KPTS/013 dated 16 November 2018 concerning East Java regency/city minimum wage. Along with the massive demonstration of labor union especially in Jakarta, Constitutional Court made letter to cancel Domestic Minister's decree. This means labor union's advocacy through negotiation with government and massive demonstration can influence government thus East Java governor decided on the wage discretion.

The purpose of wage discretion purpose is to reduce wage disparity can be seen in table 2 below:

Table 2 Wage Disparity is reduced in 2019

No.	City/Regency	Minimum Wage 2018	Minimum Wage 2019	Difference	Percentage
1.	Surabaya	Rp. 3.583.312.61	Rp. 3.871.052.61	Rp.287.740	8%
2.	Gresik	Rp. 3.580.370.64	Rp. 3.867.874.40	Rp.287.504	8%
3.	Lamongan	Rp. 1.851.083.98	Rp. 2.233.641.85	Rp.382.558	20,67%
4.	Sidoarjo	Rp. 3.577.428.68	Rp. 3.894.696.20	Rp.317.268	8,87%
5.	Pasuruan	Rp. 3.574.486.72	Rp. 3.861.518.00	Rp.287.032	8%
6.	Pasuruan	Rp. 2.067.612.56	Rp. 2.575.616.61	Rp.508.004	24,57%
7.	Mojokerto	Rp. 3.565.660.82	Rp. 3.851.983.38	Rp.286.323	8%
8.	Mojokerto	Rp. 1.886.387.56	Rp. 2.263.665.07	Rp.377.278	20%

9.	Jombang	Rp. 2.264.135.78	Rp. 2.445.945.88	Rp.181.810	8%
10.	Tuban	Rp. 2.067.612.56	Rp. 2.333.641.85	Rp.266.029	12,87%
11.	Probolinggo	Rp. 2.042.900.06	Rp. 2.306.944.93	Rp.264.044	12,92%
12.	Probolinggo	Rp. 1.886.387.56	Rp. 2.173.864.48	Rp.287.477	15,24%
13.	Jember	Rp. 1.916.983.99	Rp. 2.170.917.80	Rp.253.934	13,25%
14.	Banyuwangi	Rp. 1.881.680.41	Rp. 2.132.779.35	Rp.251.099	13,34%
15.	Kediri	Rp. 1.713.400.05	Rp. 1.850.986.07	Rp.137.586	8%
16.	Kediri	Rp. 1.758.117.91	Rp. 1.899.294.78	Rp.141.177	8%
17.	Bojonegoro	Rp. 1.720.460.77	Rp. 1.858.613.77	Rp.138.153	8%
18.	Lumajang	Rp. 1.691.041.12	Rp. 1.826.831.72	Rp.135.790	8%
19.	Tulungagung	Rp. 1.671.035.77	Rp. 1.805.219.94	Rp.134.184	8%
20.	Bondowoso	Rp. 1.667.505.41	Rp. 1.801.406.09	Rp.133.901	8%
21.	Sumenep	Rp. 1.645.146.48	Rp. 1.801.406.09	Rp.156.260	9,5%
22.	Pamekasan	Rp. 1.588.660.76	Rp. 1.763.267.65	Rp.174.607	11%
23.	Bangkalan	Rp. 1.663.975.05	Rp. 1.801.406.09	Rp.137.431	8,26%
24.	Sampang	Rp. 1.632.201.84	Rp. 1.763.267.65	Rp.131.066	8%
25.	Nganjuk	Rp. 1.660.444.69	Rp. 1.801.406.09	Rp.140.962	8,49%
26.	Blitar	Rp. 1.653.383.98	Rp. 1.801.406.09	Rp.148.023	8,95%
27.	Madiun	Rp. 1.640.439.34	Rp. 1.801.406.09	Rp.160.967	9,8%
28.	Blitar	Rp. 1.640.439.34	Rp. 1.801.406.09	Rp.160.967	9,8%
29.	Situbondo	Rp. 1.616.903.62	Rp. 1.763.267.65	Rp.146.364	9%
30.	Madiun	Rp. 1.576.892.91	Rp. 1.763.267.65	Rp.186.375	11,82%
31.	Ngawi	Rp. 1.569.832.19	Rp. 1.763.267.65	Rp.193.435	12,32%
32.	Ponorogo	Rp. 1.509.816.12	Rp. 1.763.267.65	Rp.253.451	16,79%
33.	Pacitan	Rp. 1.509.816.12	Rp. 1.763.267.65	Rp.253.451	16,79%
34.	Trenggalek	Rp. 1.509.816.12	Rp. 1.763.267.65	Rp.253.451	16,79%
35.	Magetan	Rp. 1.509.816.12	Rp. 1.763.267.65	Rp.253.451	16,79%
36.	Malang	Rp. 2.574.807.22	Rp. 2.781.564.24	Rp.206.757	8%
37.	Malang	Rp. 2.470.073.29	Rp. 2.668.420.18	Rp.198.347	8%
38.	Batu	Rp. 2.384.167.93	Rp. 2.575.616.61	Rp.191.449	8%

Source: Processed primary data obtained from East Java Employment and Transmigration Agency

From Table 2, it can be concluded that wage discretion implemented in 15 regencies and cities nearby or within one region, regency/city minimum wage increase by 11-24.57% compared to regency/city minimum wage according to Government Regulation No.78 of 2015 which only 8.03%. Therefore, labor union advocacy managed to reduce wage disparity.

Discretion did not only happen in Indonesia but in other countries as well, by conducting discretion aiming to solve national problems due to less conducive conditions, discretion is considered necessary.

The Advocacy Role of Labor Union

The advocacy role of labor unions influenced minimum wage increment; therefore, labor believed that by becoming a member of a labor union, they would be protected to receive the normative rights of labor. The research of the important role of labor union is in parallel with the results of Bozena Kaderabkova, Emilie Jasova in Czech Republic and Slovakia concerning the role of labor unions and minimum wage influenced the number of work

opportunities. An increase of minimum wage leads to an improvement of labor welfare. However, it may reduce the work opportunities as the labor-intensive industry is overwhelmed with the high minimum wage increments every year, resulting in termination for better efficiency. (Kaderabkova & Jasova, 2016).

Other research found that a slightly higher minimum wage increment can elevate labor income and significantly lower wage labor without reducing work opportunities in an area. A minimum wage increase will improve low-wage labor's buying power, increasing labor demand and economic growth. Higher minimum wage may encourage labor's working spirit and motivation to improve productivity and increase company profitability. (Allegretto & Pitts, 2013; Allegretto, Reich, & Rachel; Reich, Jacobs, & Bernhardt, 2014).

This research is in parallel with Angus C. Chu, Zonglai Kou, Xueyue Liu research results concerning labor unions that the objective of the labor union influences the important role of labor unions. If the labor union orientation is labor or wage, then the labor union's bargaining power will positively affect the income ratio. The role model labor union from this research shows that the bargaining power of labor unions influenced the increase of minimum wage and economic growth in the United States (Chu, Kou, & Liu, 2018).

This research is aligned with Hiroaki Richard Watanabe research concerning labor unions in Japan and their struggle to revitalize from different perspectives of powers. The labor unions were against the neoliberal political process on employment market deregulation due to multiple work offers, conflict of interests, and smaller access to policy owners. That condition caused labor union to organize irregular workers and marginalized regular workers. Despite that, the revitalization labor union movement is not optimized due to financial problems (Watanabe, 2015).

This research concerning the important role of labor unions in determining minimum wage is different from other research about labor unions. This research focused on the important role of labor unions in fighting for high minimum wage increments annually because Government Regulation No.78 of 2015 is considered not aligned with the purpose of wage payment as a safety net. Previous research focused on the labor union's struggle to improve human resources. In some countries, the minimum wage is not a problem because the wage has already exceeded the minimum wage standards. This condition is different in Indonesia, whereby some companies still violate the minimum wage by paying their labor under the minimum wage; thus, the Indonesian labor union still prioritizes the minimum wage. Indonesian labor union role can pressure the government, resulting in discretion. The Governor

as one of the state administrators, has the authority to perform discretion in Article 1 point 9 Law No.30 of 2014, discretion stated as a decree and or action stated and or conducted by state administrator to solve the concrete problem faced in administering governance in law regulation that gives choices, nonrestrictive, incomplete, unclear and or stagnated governance.

Discretion in determining minimum wage became a starting point on how the governor sharpen important causes that supported the determination of minimum wage that is not fully submissive to law regulation of employment. Governor may conduct discretion to ensure social justice can be achieved by minimum wage policy. However, discretion must provide equal protection for labor and companies by the government.

Governor performed the discretion due to numerous rejections by labor union by conducting a massive demonstration because of the greater wage disparity every year in some regions close to each other in East Java, even only separated by a river such as Pasuruan Regency and City, Lamongan Regency, and Gresik Regency. This condition resulted in governor becoming the target of angry labor.

These research results are consistent with Levin-Waldman research concerning discretion that in the early 20th century, there would be a struggle through court when federal government set the minimum wage based on the free market and free contract principle. At that time, the government should consider not to disturb the companies' prerogative rights. However, after the discretion is implemented, the unemployment rate rose to more than 25%, making the employment condition less conducive. Then the government intervened by set a minimum wage discretion. A minimum wage increment is one of the government's ways to improve labor purchasing power, minimize inflation, elevate economic growth, and reduce resigning labor due to higher wage offerings. A higher minimum wage is an effective tool to fight poverty and inequality. Thus government must be really careful in making decisions related to minimum wage (King, 2009; Levin-Waldman, 1998)

Wage disparity causes income inequality among laborers. If the government does not pay extreme attention to solving wage disparity, labor dissatisfaction will lead to demonstrations. Labor conditions became less conducive, and investors may feel insecure and move their investments to other countries. This research result is consistent with Joowon Jeong, Hakyon Lee research concerning support of minimum wage increment. Most democrat leaders in the United States opined that minimum wage increments may reduce wage disparity by elevating poor labor living standards. The government's role is necessary to increase the labor minimum wage. (Jeong & Lee, 2019).

CONCLUSION

The important role of labor unions in fighting for regency/city minimum wage increment through massive national demonstrations managed to pressure the government, in this case, the East Java governor, to take wage discretion policy. As a result, the employment condition in East Java is relatively more conducive, even though the wage discretion conducted by the governor contradicted Government Regulation No.78 of 2015 concerning wages. Wage discretion successfully reduced wage disparity in neighborhood regions, some of it are located in the same region, only separated by river distance. This successful effort to increase the minimum wage elevated the positive impression of labor unions among labor.

Based on these findings, the government needs to provide greater opportunities for labor unions to provide input to the government in making regulations. Labor unions are one of the important stakeholders in increasing the synchronization of labor regulations with labor needs. Future research can examine other roles of the Labor Union in helping improve workers' welfare, for example, contributing to enhancing labor regulations.

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